

COMMERCIAL

HUB 2025

# Outlook

Mid-Year  
Rate Report

Ever-Changing Dynamics Create  
Unpredictable Property & Casualty Market



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

**While several commercial property and casualty (P&C) insurance lines experienced rate relief throughout the first half of 2025, including cyber and directors and officers (D&O) liability, the broader market remained complex. Economic headwinds, inflationary pressures and ongoing loss trends continue to influence market conditions, with rates varying significantly by region, industry and risk profile. As market conditions evolve, adopting a proactive, data-driven approach is critical for organizations to obtain adequate coverage and effectively manage both claims and overall costs.**

# Rate Insights from the First Half of the Year

1

## **Persistent Upward Pressure on Auto Liability**

Commercial auto continues to see the most consistent rate increases as insurers look to offset escalating claims severity from distracted driving, rising repair costs and adverse litigation outcomes. Carriers have required more detailed submissions that include zip-code level data and at least 10 years of loss histories to assess and price risks.

2

## **Property Market Stabilizes for Some, Tightens for Others**

It's a tale of two markets when it comes to commercial property coverage. Clients in shared and layered programs, where multiple carriers provide coverage, as well as in low-risk areas, have benefitted from rate reductions as capacity improves and competition increases. Conversely, those in single-carrier placements, particularly in high-risk regions such as California or certain parts of the Midwest with convective storm exposure, continue to face rate pressure and underwriting scrutiny.

3

## **Structural Shifts and Capacity Constrictions Across Casualty Lines**

Casualty markets remain volatile, but it is heavily dependent on loss history and type of risk. Some accounts with historically challenging risks have seen decreased rates, while those with lower risks are seeing increases. Many factors contribute to this, including industry, financial strength and program structure. Limits for umbrella coverage have been significantly reduced, or policies are priced substantially higher as carriers navigate a challenging liability litigation environment. Additionally, risks associated with premises liability, civil unrest and mass casualty exposures are drawing more carrier focus, particularly for organizations in retail, entertainment and public-facing sectors.

4

## **Soft Market Conditions Begin to Shift in Workers' Compensation**

After several years of rate reductions, signs of a market shift are emerging in the workers' compensation space. Select carriers are pursuing modest increases driven by profitability concerns. Economic pressure and potential shifts in employment patterns could further elevate claim frequency heading into late 2025.

# Insureds Adjust Risk Transfer Strategies to Meet Evolving Underwriting Requirements

As insurers look to keep improving their profitability and avoid high-exposure risks, submission quality is becoming a key point of differentiation. Carriers are prioritizing submissions with comprehensive exposure data, credible valuations and accurate loss histories. Jurisdictional considerations — particularly for auto and casualty — are now influencing pricing at a micro level. Clients must be prepared to provide complete and defensible data packages to maintain favorable outcomes.

Organizations are also being asked to take on greater risk, whether through higher deductibles, reduced sublimits or narrower coverage terms. This trend is most pronounced in property and casualty lines where historical losses or exposure concentrations exist. Clients have had to reassess their own risk appetites as a result, and, in some cases, invest in mitigation measures as a tradeoff for broader terms or reduced premiums.

Businesses with complex exposures or distressed placements are increasingly exploring alternative risk transfer strategies, including parametric insurance, swing plans and multi-year, multi-line structures. While not yet mainstream, these solutions have proven to deliver significant value in markets where traditional placements are no longer cost-effective or available, or where clients are looking to recover financial losses not covered by traditional insurance.

# What to Expect for the Remainder of 2025

Going into the second half of the year, reinsurance trends suggest continued softening in some sectors, but that could change depending on the severity of the 2025 hurricane season. Ongoing geopolitical instability, supply chain fragility and inflationary cost pressures means underwriters will keep scrutinizing CAT-exposed risks and those industries that face serious liability challenges.

Organizations can take several steps to ensure resilience and control total cost of risk, including:

- Begin renewals early, especially when structural program changes or market engagement are anticipated.
- Maintain accurate and updated property and income valuations.
- Consider adjusting deductibles and retention levels to align with market conditions.
- Explore risk mitigation investments that can enhance insurability and provide access to broader capacity.
- Engage with a strategic brokerage partner to model scenarios, access alternative markets, and support data-driven decision making.

# Rate Report

HUB International’s rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in all industries throughout North America.

In Q2 2025, rates are averaging between 1.8-6.5% for commercial insurance for the middle and upper middle market in the U.S. Property is seeing a great deal of market competition with capacity supply outpacing demand and very favorable results for many insureds as a result. However, regions such as California that are exposed to wildfire or certain parts of Central U.S. with severe convective storm exposure continue to face underwriting scrutiny. Casualty remains volatile and is highly dependent on loss history and type of risk. Additionally, risks associated with premises liability, civil unrest and mass casualty exposures are drawing more carrier scrutiny. Overall, ongoing geopolitical instability, supply chain fragility and inflationary cost pressures mean P&C underwriters will keep scrutinizing catastrophe-exposed risks and those industries that face serious liability challenges.

Commercial auto and excess liability continue to see the most consistent rate increases as insurers look to offset escalating claims severity from distracted driving, rising repair costs and adverse litigation outcomes. For workers’ comp, select carriers are pursuing modest increases driven by profitability concerns and economic pressure is driving potential shifts in employment patterns that could further elevate claim frequency heading into late 2025. The Private and Non-Profit Directors & Officers (D&O) marketplace remains stable and highly competitive. Premiums are generally flat to down slightly (up to 5%), barring significant changes in exposure. The Public Company D&O market premiums are generally flat to -10%. However, certain classes may see increased premiums.

| Coverage                     | U.S. Rate Guidance | Insights  |
|------------------------------|--------------------|---|
| <b>Commercial Automobile</b> | +5% to +15%        | <p>Loss severity and accident frequency due to more vehicles on the road remain problematic for commercial auto exposure. Auto parts inflation persists and could be exacerbated depending on tariffs, leading to increased volatility in pricing. For this reason, rate increases in auto physical damage may be higher than auto liability in some cases or may be offset by higher auto physical damage deductibles.</p> <p>Heavy vehicle rates may be higher due to greater accident severity. Radius and operations are also factors that could reduce or increase risk (i.e., vehicles that operate more slowly and on local routes versus highways are generally considered less risky). The specific geography of the vehicles has become more scrutinized due to deteriorating litigation climates in certain jurisdictions, though clients with more vehicles in difficult jurisdictions may see higher rate impacts. Specific client loss experience remains the largest variable in determining rates, and the growing exposure base tends to help keep rates lower as premiums are increasing due to the exposure.</p> |
| <b>General Liability</b>     | Flat to +10%       | <p>The general liability market is more stable compared with other lines, like auto. However, losses in certain sectors have contributed to reduced capacity, such as coverage for sexual misconduct liability (SML) within a GL policy, product liability and premises liability risks with significant access to the public due to concerns over violence.</p> <p>Rate trends vary significantly by industry, program structures (guaranteed cost to high deductible), loss experience and exposure growth or shrinkage. Some of the most challenging sectors include habitational real estate and industries or operations that have exposure to SML.</p>  |

# Rate Report

| Coverage                               | U.S. Rate Guidance | Insights  |
|--|--------------------|---|
| <b>Workers' Compensation</b>           | -5% to +5%         | <p>Economic conditions are a key driver of workers' compensation premiums due to payroll. When the economy does well, more premium is collected, which depresses rates. Alternatively, recessionary economic trends that lead to decreasing payrolls can amplify rate increases.</p> <p>Rates have remained largely stable this year, driven by a multi-year trend of decreasing claims frequency. However, claims severity has increased, causing modest increases for some clients with guaranteed cost and lower deductibles.</p>  |
| <b>Package</b>                         | Flat to +10%       | <p>Package policy pricing tends to be less volatile than individually placed coverages. For example, as profitability in the property market improves, any rate decreases may offset or reduce increases in other lines, such as GL or auto.</p> <p>Any increases or decreases in base exposure could significantly impact renewal pricing as insurers seek to maintain premium levels. Rates may increase more significantly even when exposures decline. Including commercial auto coverage may lead to larger rate increases due to loss severity trends in the auto line.</p>   |
| <b>Umbrella &amp; Excess Liability</b> | +5% to +10%        | <p>Loss severity trends in auto liability and GL are the largest factors driving rate increases in umbrella and excess liability coverage. Larger and heavier vehicle fleets remain the most significant variable contributing to rate increases. While GL loss trends vary by industry and geography, the deteriorating litigation climate in the U.S. and increasing defense costs are major factors in pricing.</p> <p>Risks with exposure to potential violence, such as public events, sexual misconduct or human trafficking, as well as difficult product liability, can be challenging for umbrella and excess liability placements.</p>  |
| <b>Commercial Property</b>             | -15% to +5%        | <p>The property market has quickly reversed course from needed rate increases over the past several years. Competition has increased amongst insurers, with capacity expanding as they work to achieve aggressive growth targets. Placements with just one carrier are seeing single-digit decreases on average, while shared and layered programs are receiving decreases of more than 10%. Outliers remain in both directions, based on individual account attributes.</p> <p>Key trends impacting property rate behavior include program structure (single carrier vs. shared and layered), account loss experience and geographic exposure, particularly in areas with exposure to wind, flood, severe convective storm and wildfire. Other underwriting factors include data quality and valuation adequacy, as well as risk quality and loss control.</p> |
| <b>Catastrophic Perils</b>             | -20% to flat       | <p>Rates for catastrophic perils continue to ease due to an abundance of reinsurance capacity. However, underwriting awareness on former secondary perils specific to severe convective storms and wildfire remains. While there are general patterns of deductible relief for CAT perils, there have also been some rate increases in certain markets.</p> <p>Alternative risk solutions, such as parametric products, can provide further options to insureds trying to manage exposures.</p>   |

# Rate Report

| Coverage  | U.S. Rate Guidance | Insights   |
|---|--------------------|--|
| <b>Environmental</b>  | Flat to +5%        | <p>Premises pollution liability rates remain flat except for hospitality and habitational risks, where the market is pushing for small rate increases. The market for contractors' pollution liability remains competitive. Contracting risks generally experience higher rate increases than those risks with product liability exposure.</p> <p>In response to social inflation and evolving loss development trends, some insurers have reduced capacity or imposed additional premium requirements for excess limits placed over combined general liability, pollution and commercial auto policies. However, new market entrants have become available to replace the capacity reduction in limit towers.</p> |
| <b>Directors &amp; Officers: Private</b>                    | -5% to +5%         | <p>New insurers have entered the private company D&amp;O market and are aggressively pursuing new business. While some insurers are looking for higher premiums for employment practices liability coverage, there is still ample capacity in the marketplace. The increased competition has kept pricing and retention stable. Coverage improvements are widely available.</p> <p>Expect competition among insurers to continue. Underwriting concerns with certain classes of business persist, including healthcare, education, oil and gas, cryptocurrency and cannabis.</p>   |
| <b>Directors &amp; Officers: Public</b>                     | -10% to Flat       | <p>The D&amp;O market for public companies remains favorable as we enter the second half of 2025. While capacity remains strong, there are early signs of tightening in pricing, retentions, and terms—particularly for higher-risk insureds, such as those facing solvency concerns or with exposure to crypto, cannabis, or transactional risks.</p> <p>Overall, Federal securities class-action filings are on the rise after a period of decline, with a notable uptick in cases related to artificial intelligence as an emerging trend to watch. Still, unless there is significant carrier consolidation, rates and coverage are expected to remain favorable in the near term.</p>                         |
| <b>Cyber Liability</b>                                      | -5% to Flat        | <p>The cyber market remains competitive for insureds with strong cybersecurity controls, both on primary and excess. Early in 2025, a few insurers signaled the need for rate increases in specific industry classes or excess positions, but their stances have softened somewhat within the past quarter.</p> <p>Cyber claims remain frequent, but the nature of threats has changed. Ransomware attacks now focus more on stealing sensitive data for extortion, as systems have become better at resisting network lockouts. Meanwhile, social engineering is on the rise, driven by deepfakes and AI-powered scams.</p>   |
| <b>Professional Liability: Misc. Errors &amp; Omissions</b> | -2% to +2%         | <p>MPL risks face broad competition, but carrier appetites differ. As firms grow and expand their suite of services, renewals may be impacted, requiring more tailored policy language and expertise.</p> <p>Underwriters are more focused on the financial impact of errors. Services with high potential for costly mistakes are seeing less market interest and, in many cases, higher rates.</p>   |



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